

FISCAL IMPACT STATEMENT ON BILL NO. ***H.3009, as Amended***
(Doc. No. 20124sd05)

TO:	The Honorable Robert Harrell, Chairman, House Ways and Means Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Allan Kincaid, Harry Bell		
DATE:	January 24, 2005	SBD:	2005121
AUTHOR:	House Ways and Means Committee	PRIMARY CODE CITE:	1-30-10
SUBJECT:	South Carolina Restructuring Act of 2005		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:
A Cost to the General Fund (See Below)

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:
See Below

BILL SUMMARY:

House Bill 3009, as amended, transfers certain offices of the State Budget and Control Board, the Office of Executive Policy and Programs in the Governor's Office, and various other offices to a new Department of Administration. An Office of State Inspector General is also established within the Department of Administration. The Bill would also create a State Chief Information Officer within the State Budget and Control Board.

EXPLANATION OF IMACT:

Part II – Department of Administration

Section 3 identifies the agencies and entities that would become a part of a new Department of Administration. Section 4 designates that all employees, appropriations, assets and liabilities of these offices, except as provided in section 5 of the amendment, shall be transferred and become a part of the new Department of Administration. Since neither section introduces new initiatives, it is estimated there would be little or no impact on the General Fund of the State or on Federal and/or Other Funds. Any potential one-time costs associated with consolidation or systems integration are not currently identifiable. In addition, such consolidation and integration may result in some long-term administrative savings.

Part III – State Chief Information Officer – State Budget and Control Board

A review of this Bill indicates there will be a cost to the General Fund of the State of approximately \$2.0 million with twenty positions. The actual impact on General Funds would depend on any potential adjustments to the existing fee structure and/or changes in the level of reimbursable services provided that may be used toward the funding of this initiative.

Part IV – Office of State Inspector General – Department of Administration

In order to provide an estimate of the cost involved with an Office of Inspector General, the Office of State Budget (OSB) reviewed those states having such an office including Georgia, Louisiana, and Ohio. In addition, OSB took into consideration the funding and staffing level of the Legislative Audit Council, which may be considered the most comparable existing state entity. The three states reviewed had budgets ranging from between \$855,000 and \$1.1 million. Staffing levels were as low as five and as high as fourteen. The Legislative Audit Council currently has a budget of \$921,500 and fifteen filled positions. The Governor's version of the Appropriation Bill for FY 2005-06 reflects an appropriation of \$400,000 with six new positions for an Inspector General's Office. Therefore, although the funding and staffing level for the Office of Inspector General is at the General Assembly's discretion, funding for such an office can be estimated at between \$400,000 and \$1.1 million. Staffing could be estimated at between five and sixteen employees. However, it should be noted none of the three states reviewed had responsibility for all state schools including K-12, Colleges and Universities.

Statehouse Maintenance - State Budget and Control Board

Designation of these responsibilities for the State Budget and Control Board will result in some additional impact. It is assumed the Board must retain sufficient resources (funding and staff) currently within the Division of General Services that would be necessary to carry out the new division's responsibilities. Such costs should not be substantial but are undeterminable at this time.

Low-Level Radioactive Waste – State Budget and Control Board (Board)

Provisions of the Bill transfer those regulatory operations of any facility disposing of low-level radioactive currently assigned to the Board to the new Department of Administration, with the Board retaining authority to establish policy. The Board must retain sufficient resources (funding and staff) that would be necessary to carry out responsibilities. Such costs should not be substantial but are undeterminable at this time.

Transfer of VA Nursing Homes from Department of Mental Health (DMH) to Lieutenant Governor's Office

Based on section 43-21-10, it is assumed that enactment would transfer administration and day-to-day operations of Stone Pavilion and Campbell veteran's nursing homes to the Lieutenant Governor's Office. Current DMH operational funding for veteran's services at Stone Pavilion and Campbell is \$5,976,678 in state funds and \$8,847,017 in other funds. A total of 123.42 FTE's are associated with these nursing homes (43.72 state FTE's and 79.70 other FTE's). Also, as mandated by bond bill, construction is under way on a veteran's home in Colleton County. The home will need \$3 million in operational funds beginning in January, 2006, with \$4,180,000 in matching other funds. Once the home becomes fully operational, full-year state operating costs are estimated at \$6 million, with other funds estimated at \$8,360,000.

The figures above represent direct costs for operations of the nursing centers. There may be some indirect costs associated with centralized DMH administration and maintenance of the facilities that are not reflected.

Recapitulation

Based on the information above creation of a State Chief Information Officer and an Office of State Inspector General would result in an impact on the General Fund of the State of between **\$2,400,000 and \$3,100,000**. Some of these additional costs may be offset to the extent there are administrative, support, and/or management savings associated with agency consolidation.

LOCAL GOVERNMENT IMPACT:

None.

SPECIAL NOTES:

Some states have Inspector General Offices within specific functional groups (such as among health and social services agencies) including Kentucky and West Virginia. These states have considerably larger Inspector General staff within these units. Kentucky has a staff of 296 employees with a budget of \$19 million within its Health and Social Services functional group. West Virginia has a staff of 100 with a budget of \$4.5 million within its Medicaid, TANF and Food Stamps program functional group.

Approved by:



Don Addy
Assistant Director, Office of State Budget